



KENTUCKY RETIREMENT SYSTEMS

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February 20, 2019

Ms. Katie Carney
Office of Fiscal Statement Review
Legislative Research Commission
Capitol Annex, Room 104
Frankfort, KY 40601

RE: House Bill 381 GA (2019 RS BR 1235)
AA Statement Required by KRS 6.350
AA Statement 1 of 1

Dear Ms. Carney:

House Bill 381 GA (2019 RS BR 1235) proposes to create a new section of KRS Chapter 164 to define "postsecondary institution" and "police officer"; provides that postsecondary institutions may employ retired police officers provided the officer was a police officer at retirement, retired with at least 20 years of service credit with no administrative charges pending, and met the separation of employment requirements so that retirement benefits from Kentucky Retirement Systems were not voided; provides that retired police officers employed by a postsecondary institution shall continue to receive the benefits they were eligible to receive upon retirement, but shall not accrue any additional retirement or health benefits during reemployment; provides that retirement and any health contributions shall not be paid by the postsecondary institution to Kentucky Retirement Systems or the Kentucky Employees Health Plan on a retired officer who is reemployed under the section; provides that individuals employed under the section may be employed for a term not to exceed one year, which may be renewed at the discretion and need of the postsecondary institution; limits number reemployed under the program to greater of 5 officers or 25% of the university police force in 2018; and amends KRS 61.637 to conform.

Kentucky Retirement Systems (KRS) staff members have examined House Bill 381 GA (2019 RS BR 1235). We have determined that the bill will not increase or decrease benefits in any of the retirement systems administered by Kentucky Retirement Systems, and would not increase or decrease the participation in benefits within the retirement systems administered by Kentucky Retirement Systems.

House Bill 381 GA (2019 RS BR 1235) would not significantly increase or decrease the unfunded actuarial liability of the pension plans administered by Kentucky Retirement Systems. Allowing employers to be exempt from paying contributions on a retiree employed as a police officer means KRS would also not receive the employer health insurance contributions that otherwise would have been received. However, the bill limits the number of officers reemployed under the program to the greater of five (5) officers or 25% of the university police force in 2018. Because there were only 81 active university hazardous employees in 2018, any impact on the unfunded actuarial liability would be minimal.

In accordance with KRS 6.350 (2)(c), Kentucky Retirement Systems certifies the following:

1. The estimated number of individuals affected is difficult to determine because the postsecondary institutions could potentially employ any individuals who have retired from KERS, CERS, and SPRS. Although not all law enforcement positions are considered Hazardous for retirement purposes, it would be reasonable to assume that many Hazardous employees might be eligible to serve as police officers at postsecondary institutions. Therefore, as of June 30, 2018 are 3,963 active and 3,010 retired members in the KERS Hazardous plan; 9,285 active and 7,647 retired members in the CERS Hazardous plan; and 891 active and 1,445 retired members in the SPRS plan;
2. There is no estimated change in benefit payments;
3. There is no estimated increase in employer costs; and
4. There is no estimated change to administrative expenses.

We have not requested any further actuarial analysis of House Bill 381 GA (2019 RS BR 1235) by the Systems' independent actuary.

Please let me know if you have any questions regarding our analysis of House Bill 381 GA (2019 RS BR 1235).

Sincerely,



David L. Eager
Executive Director
Kentucky Retirement Systems